

Comments of

The United Illuminating Company

Re:

Raised House Bill No. 1076

**AN ACT ESTABLISHING A CLASS IV RENEWABLE PORTFOLIO
STANDARD**

Before the Energy & Technology Committee

Legislative Office Building

March 3, 2009

Raised House Bill No. 1076 (the Bill) creates a Class IV Renewable Portfolio Standard (RPS) for renewable resources that have baseload characteristics, even though such resources already qualify for the Class I RPS.

The United Illuminating Company (UI) does not support the Bill, and believes that the changes proposed have the potential to increase customer costs while only benefitting a small subset of renewable developers. While UI strongly supports renewable energy, it is important that it be supported in a way that maximizes the benefits for Connecticut's customers.

UI has the following specific concerns regarding the Bill:

1. There is not substantial analysis to conclude that the creation of a Class IV RPS would benefit customers. In fact, the August 2007 Scenario Analysis study performed by ISO New England (ISO) would seem to indicate the contrary. The 2007 Scenario Analysis tested a number of future resource development scenarios, including one where approximately 5,400 new MW of renewables were added to the grid. ISO concluded that:

“Across all the scenarios and sensitivity cases, gas-fired power plants tended to be among the last plants dispatched (the so-called marginal units) to serve typical daily loads in New England to meet demand. These plants set the wholesale electric energy clearing prices in most hours of the year, approximately 90% of the time. The average clearing prices for all the scenarios were sensitive to the price of natural gas, and the overall average clearing prices differed only modestly.”¹

Presumably, the benefit of baseload Class IV renewable resources is that they would reduce clearing prices in the energy market. While this may be the case, it is far from certain whether these benefits would be substantial enough to justify the additional costs that would almost certainly result from a Class IV RPS. Given the results of the Scenario Analysis, it is almost certain that they will not result in any meaningful disconnect from natural gas prices.

2. The Bill does not place any limitations on the location of Class IV renewables other than that they qualify as Class I renewables. A baseload renewable project could be built in New York State where it would have no measurable impact on prices in Connecticut, and qualify under the Bill. Similarly, a project could be built in Northern New England, and while the project would be providing energy in the New England market, it may be doing so in a location that is transmission export-constrained and provide energy price benefits to the local area only even though it is supported by Connecticut's RPS under the premise that Connecticut customers are benefitting. While UI supports broad regional qualification for Class I renewables, any carve-out for specific resources that would be expected to benefit customers in the energy market needs to be strictly limited to in-state resources to maximize the likelihood that Connecticut customers receive the benefits that they pay for.

¹ August 2, 2007 ISO New England Scenario Analysis at 6.

3. If adopted, the Bill would favor baseload renewable resources such as biomass and fuel cells over premium non-emitting renewable resources such as wind, solar and low impact hydro because the market for Class IV RECs would be "propped up" by the carve-out for baseload resources. This could harm the development of these premium non-emitting resources. Since the resources that would qualify for Class IV designation, such as biomass and fuel cells, already qualify as Class I resources, there is no reason to create yet another RPS class designation.

4. If baseload renewable resources require REC price stability to receive financing, the optimal approach is to contract directly for the output at prices approximating cost of service. This will assure that the benefits inure directly to the Connecticut customers who provide financial support for the project.

UI strongly recommends that the Bill not be adopted. There is far too much uncertainty regarding the costs and benefits of the proposal, and much greater certainty regarding such costs and benefits is needed before proceeding on this path. While UI supports renewable energy and the development of baseload energy projects in New England, the Bill does so in a way that is more likely to harm than help customers. As stated above, the technologies that would qualify under the proposed Class IV RPS already qualify for the Class I RPS. Therefore, there is no need to further segregate them, and doing so appears more likely to increase, rather than decrease, customer costs.